SBO **STATE BANK OF ODELL**
SINCE 1907
MEMBER INDEPENDENT COMMUNITY BANKERS OF AMERICA

October 21, 2005   **2005 OCT 24 AM 10 29**

Mr. John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 95105

Re: Comments Regarding FDIC Application #20051977; Wal-Mart Application for Insurance and Industrial Bank Charter

Dear Mr. Carter:

I am writing in opposition to the application of Wal-Mart Stores, Inc., for Federal deposit insurance coverage for an ILC charter in Utah. I am a small town community banker and believe strongly that allowing Wal-Mart to own a bank charter and potentially open branches in its network of stores, there are three stores within a twenty-mile radius of Odell, would do irreparable harm to my community and other small communities in the area. And to my institution and other small community banks in rural areas in southeast Nebraska, as well as posing a severe systemic risk to our nation's economy.

I am aware that Wal-Mart has stated that it intends to operate a limited ILC charter in Utah. Walmart does not limit its options on anything. <u>Their assurances that the operation will remain narrow ring hollow in the context of the company's history and corporate philosophy</u>. This is Wal-Mart's fourth attempt to get into the banking business. Wal-Mart's CEO says he wants to grow the company and provide financial services to its customers. You do not do this with a limited charter. It is not much of a stretch to conclude that somewhere down the road, Wal-Mart will be amending its business plan to allow it to offer a full array of banking services. This must not be allowed to happen.

<u>Wal-Mart has a long history of destabilizing communities by undercutting prices of local merchants and driving them out of business</u>. That is not a theory, it is a fact. For example, when Wal-Mart entered Iowa, 50% of clothing stores, 30% of hardware stores, 42% of variety stores, 26% of department stores, and 25% of building materials stores were driven out of business. Were Iowa consumers well served by eliminating Wal-Mart's competitors and denying consumer choice? I think not. Think of the economic consequences of those statistics, and the impact it had on the state of Iowa! Communities recover from natural disasters; man-made ones are much longer lasting.
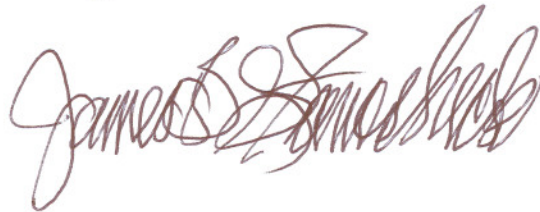
Wal-Mart did not open stores in those communities to be civic partners with local merchants; they opened stores to drive local merchants out of business and steal their customers, which is just what they did. The largest company in the world could do the same thing to community banks. <u>The FDIC would be ill-advised to set this nation on a course that could result in the demise of the community banking industry as we know it today.</u>

Congress continues to support our nation's long standing policy against the mixing of banking and commerce, and with good reason. <u>Mixing banking and commerce would create serious conflicts of interest and distort credit decisions.</u> The impartial allocation of credit is the linchpin of our financial system and must be preserved. Would a Wal-Mart Bank offer credit to our local mechanic or the small grocery store or other business on our main street? Would Wal-Mart make a $250 loan to one of our senior citizens to pay their fuel bill this winter?

Even more importantly, the largest company in the world owning a bank would produce a dangerous concentration of economic power and resources that would pose severe systemic risks to our economy. Think what would have happened if Enron owned a bank? Or Worldcom? It could have exposed the FDIC fund to enormous liability and pulled down our entire financial system. <u>Our nation cannot afford to take that risk to save Wal-Mart a couple of pennies on each credit and debit card transaction.</u>

For the sake of the community banks, such as the State Bank of Odell that has served its customers and the community since 1907, please do not allow Wal-Mart to get into the banking business. <u>Make a statement for fair competition and consumer choice by denying Wal-Mart's application for deposit insurance.</u>

Sincerely,

James B. Stanosheck
President